



Germany's Men's Cosmetic Market

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Summary

This report provides information on Germany's men's cosmetic market, which, after a slight decrease in 2003 resulting from the general economic downturn, increasingly gains momentum. The report includes information on sub-sectors, such as skincare, haircare, deodorants, bath and shower, razors and blades, as well as pre-and after-shave products and presents an outlook on market opportunities for U.S. men's cosmetic exporters. Fragrances for men are not discussed in this report.

Germany's Cosmetic Market – Overview

Germany suffered a recession in 2003. Consumer spending decreased, affecting day-to-day purchases, such as cosmetics and toiletries. Consumers increasingly opted for private label products and frequented discounters more often, thereby reducing average unit prices. Bath and shower products, and oral hygiene items suffered most, while depilatories performed extremely well in 2003.

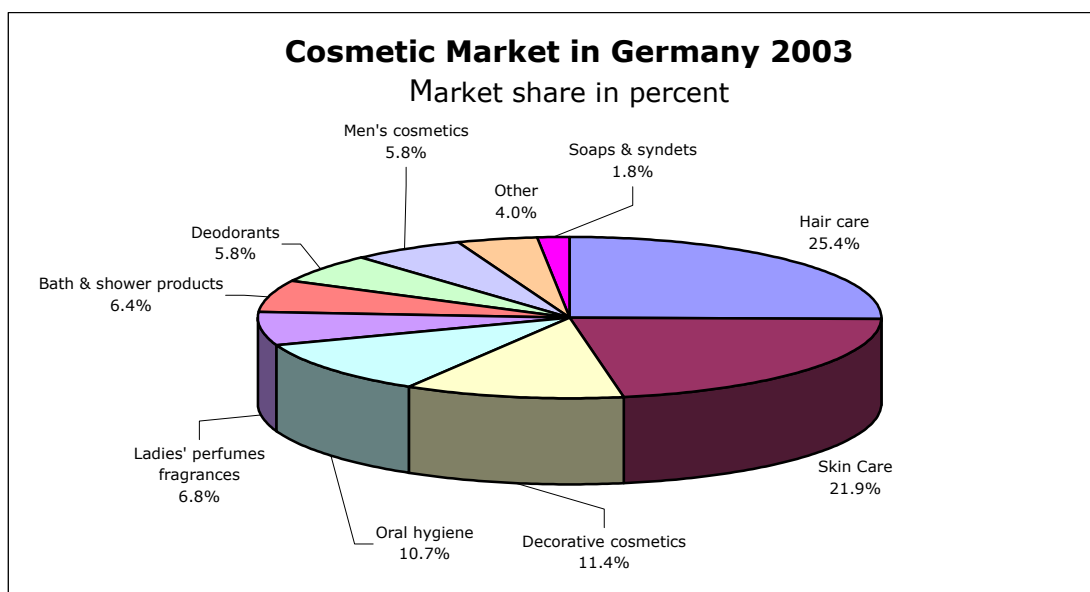
"Wellness" was the most influential trend for consumer spending in 2003. Despite a general reluctance to spend money on consumer products, consumers were eager to purchase products perceived to enhance their "wellness" and health, food and cosmetics and toiletries alike.

Germany's ageing population has increased sales potential of anti-ageing products. Creams specifically formulated to fight wrinkles and other signs of age, such as sagging skin, were in high demand over the last two years, in the premium as well as mass market. Convenience and easy-to-use applications were driving forces in the development of products such as facial cleansing towels, compact deodorants and easy-to-use depilatories.

In most sectors growth is predicted to remain low, as cosmetics and toiletries as a whole constitute a relatively mature market in Germany. Private label products, especially those from the increasingly important drugstores, are likely to gain in significance as both their quality and lower prices continue to appeal.

Men's Care – Market Highlights and Trends

According to the Industry Association for Body Care Products and Washing Detergents (Industrieverband für Körperpflege- und Waschmittel e.V. - IKW) the German cosmetics market amounted to EUR 11 billion in 2003. Germany's cosmetic market continues to rank third in the world after the United States and Japan. In Europe, Germany constitutes the largest cosmetics market followed by France, the United Kingdom, Italy, Spain, and Russia.



Of the total cosmetic market, products for men accounted for EUR 764 million in 2003. The most dynamic sub-sector within men's cosmetics was skin care, with 5.8% growth in 2003.

Retail Sales of Men's Cosmetic Products by Sub-sector: 1998-2003
% value growth

Sub-Sectors	2002/2003	1998-2003 AGR*	1998-2003 Total
Men's pre-shave	1.7	4.1	22.1
Men's razors and blades	2.8	3.2	17.0
Men's after-shave	-0.8	-1.3	-6.1
Men's bath and shower products	1.1	2.2	11.4
Men's deodorants	2.4	4.7	26.1
Men's hair care	2.5	7.7	45.1
Men's skin care	14.5	16.9	118.2
Total	2.5	4.1	22.0

* AGR = Annual Growth Rate

Source: Euromonitor

Sub-Sectors

Hair care and bath and shower products grew by 2.5% and 1.1%, respectively, in terms of value, and by less than 1% each in terms of volume in 2003. "Family products" with neutral scents and herbal ingredients dominate both product ranges. Sales of men's skin care and deodorants in Germany increased by 14.5% and 2.4% in value, respectively, and 14.2% and 2.2% in volume terms in 2003. Shaving product sales saw even higher increases in terms of volume and value, with the exception of men's after-shave products, which continued to decline by almost 1% in both value and volume terms, in 2003.

- Skincare products

Men's skin care products are still a small, though very dynamic product segment in Germany. With sales of EUR 15.4 million in 2003, this segment accounts for a mere 2% of sales in men's cosmetic products. Its growth has been strong, 14.5% in 2003, and with an annual growth rate of 17% during the period 1998-2003.

- Deodorants

Like many facial care products, deodorants and bath/shower products are also often gender-specific, laced with floral, musk and other scents. More than three quarters of Germany's male population use male-specific deodorants. In 2003, the sales value and volume of deodorants for men increased by over 2%, compared to an annual growth rate of almost 5% in value and 3% in volume terms during the period 1998-2003.

Almost 100% of Germany's young male consumers use deodorants, while many men over 50 are still reluctant to use deodorants/antiperspirants. Over half of the deodorants for men are aerosols and pump sprays, followed by roll-ons with around 30%, and sticks and creams with 10% of deodorant sales in 2003.

- Bath and Shower Products

Unlike many female consumers, German men look for functional products rather than the luxury to serve some emotional need. As a result, shower products dominate the men's bath/shower segment while women spend more time and money on bathing pleasures. In 2003, sales of men's bath and shower products stagnated in volume terms, while the sales value grew by around 1%.

- Hair Care Products

Most German men use shampoo products at least once a week and only a few (typically young men) use products specifically formulated for men. After a first "wave" of men's cosmetic products hit the market in 2001, hair care products saw a 0.3% growth in volume and 2.5% in value terms in 2003. Yet, men's hair care remains the second largest sub-sector in value terms, with sales reaching EUR 153 million in 2003.

While sales of shampoos are stagnating, the number of men using styling products at least once a week has increased to 15% for gels/wet gels, 12% for hairsprays, 7% for hair mousses and 6% for conditioners.

- Shaving Products

Pre-shave products continued to perform well in terms of volume in 2003, while sales values suffered from declining unit prices. In 2003, private label products accounted for approximately 14% of pre-shave sales, compared to just over 7% in 2001. This led to value growth of less than 2% in 2003, while volume sales grew by 2.5%.

There is a clear trend away from electric razors back to wet shaving, and sales of pre-shave products increased by more than 22%, to EUR 100 million between 1998 and 2003. Skin protection has become very important, and different products with various protective properties are driving growth in this segment.

In 2003, shaving foam accounted for half of all pre-shave sales, followed by shaving gels, shaving cream and shaving soap. Sales of traditional "old-

fashioned" shaving soaps are in decline - more and more German men are switching to foam and gels.

Aftershave is struggling with an old-fashioned image, with many consumers perceiving it as a cheap alternative to perfume and eau de toilette. Thus, alcohol-based aftershave lotions continued to decline during 2003. However, this decline slowed down, following the introduction of a new generation of non-alcoholic products.

Young consumers who value the protective and soothing benefits of products are picking up new products such as balms, lotions and moisturizers.

- Razors and Blades

Gillette and Wilkinson lead sales in Germany's razors and blades market, which is the largest sub-sector accounting for almost half of all men's cosmetic sales in 2003. Gillette managed to increase its market share from 27.3% to 27.8% in 2003 following the introduction of the "Mach3 Turbo" in spring 2003. In the razor and blade segment, Gillette and Wilkinson accounted for 93% of sales, with shares of 50% and 43%, respectively.

Double-edged razors still account for approximately 30% of sales in the wet razor and blade product group - they have achieved a "cult status." Expensive male care kits, often Christmas presents, frequently contain double-edged razors. Yet, as system razors are more modern and provide easier shaving, double-edged razors are expected to disappear from the market.

Braun and Philips together accounted for almost half of all electric razor sales in Germany in 2003. While the number of electric razor users is on the decline, unit prices are increasing as products increasingly provide extra features.

Men's Razors and Blades Brand Shares 2001-2003 (% retail value)

Brand	Company	2001	2002	2003
Wilkinson Sword	Wilkinson Sword GmbH	44.1	43.2	42.5
Gillette Mach3	Gillette Deutschland GmbH & Co	23.5	24.2	27.0
Gillette Sensor	Gillette Deutschland GmbH & Co	26.3	25.0	23.1
Private Label		2.1	3.9	4.3
Others		4.0	3.7	3.1
Total		100.0	100.0	100.0

Source: Euromonitor

- Major Market Players

Following Gillette and Wilkinson, Beiersdorf AG ranked third in the men's cosmetic market with a market share of 15% in 2003. The company is well established in all sub-sectors except razors and blades. Despite good performance in men's skin care, where new product launches furthered growth, overall sales declined slightly between 2002 and 2003. This was attributable to private labels entering the men's cosmetics market.

As a result of limited product portfolios and ranges that are mainly focused on single sub-sectors, such as deodorants or hair care, none of the other companies active in men's cosmetics have a market share of more than 6%. However, several companies have considerable market shares. Among them is L'Oréal, with a 26% market share in skin care, 21% in hair care and 14% in after-shave products in 2003. Lever Fabergé also performed well in selected sub-sectors, with a 55% market share in deodorants and 27% in bath and shower products in 2003.

Private label products increased their market share between 2001 and 2003 by 2.2%, to over 6%. This had a negative impact on sales of many brands, especially mid-priced products.

Men's Cosmetic Products Competitors Market Share 2001-2003

Company	% retail value		
	2001	2002	2003
Gillette Deutschland GmbH & Co	27.8	27.3	27.8
Wilkinson Sword GmbH	21.7	21.1	20.8
Beiersdorf AG	15.1	15.3	14.9
L'Oréal Deutschland GmbH	5.6	5.7	5.6
Lever Fabergé Deutschland GmbH	5.0	5.1	5.2
Schwarzkopf & Henkel Cosmetics GmbH	2.9	3.0	2.8
Colgate-Palmolive GmbH	2.9	2.8	2.7
Guhl Ikebana GmbH	2.4	2.5	2.6
Combe Pharma	1.8	1.8	1.8
Florena Cosmetic GmbH	0.9	0.9	0.9
Sara Lee/DE GmbH & Co KG	0.9	0.8	0.8
Coty Deutschland GmbH	0.4	0.5	0.5
Dalli-Werke Mäurer & Wirtz GmbH & Co KG	0.3	0.3	0.2
Private Label	3.9	5.3	6.0
Others	8.4	7.6	7.4
		100.0	100.0

Source: Euromonitor

Market Outlook

Analysts expect German men to invest more money and time in personal hygiene and health. Rather than using a family shampoo or shower gel, men are expected to opt increasingly for products developed specifically for male skin and hair. As a result, sales of men's cosmetic products are expected to grow by 9.5% until 2010.

Men's skin care, although the smallest sub-sector in terms of sales (EUR 15.4 million in 2003), remains the most promising in terms of future growth, with a predicted annual growth rate of 19% until 2010. This sub-sector includes facial products, body lotions and hand creams.

Wet shaving is likely to play a larger role in the future, with fewer men opting for electric razors. System razors with two, three or even four blades promise higher quality, while double-edged razors are regarded as old-fashioned, and their use is expected to decline. Sales of razors and blades are expected to grow by almost 9% over the period 2005-2010.

Fragrances have replaced aftershave products containing alcohol and aftershave balms and lotions are likely to grow in popularity. The differences between old-style aftershave products, containing alcohol, and skin soothing varieties are expected to become more pronounced. Market analysts expect a decline of alcohol-based aftershave products go hand in hand with a rise in popularity of balms and lotions, leading to stable sales volumes and values between 2003 and 2008.

The German market for men's deodorants is rather saturated. Both men's bath and shower and hair care products show limited potential for future growth, as lines separate from the traditional unisex/family products.

Both men's hair care and bath and shower products are predicted to increase with a low but steady annual growth rate of approximately 1% in terms of both value and sales between 2003 and 2008. Unit prices of men's hair care products will be affected by stronger private label competition, limiting further price increases.. Styling products performed extremely well during the past years and a line extension into men's styling products would be a logical step to increase sales.

Forecast - Retail Sales of Cosmetics and Toiletries by Sectors in Germany:
2003-2008 in EUR million

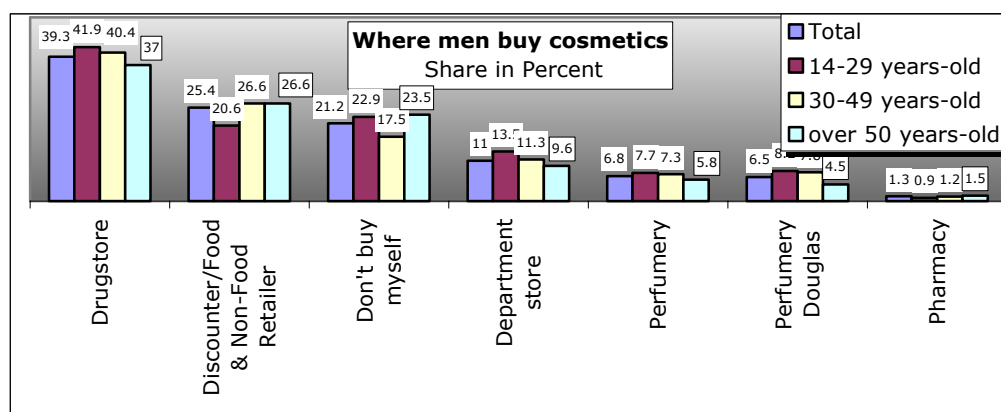
	2003	2004	2005	2006	2007	2008
Baby care	116	115	115	114	114	113
Bath and shower products	802	789	774	761	749	739
Deodorants	554	560	567	574	582	590
Hair care	2,365	2,423	2,507	2,571	2,624	2,670
Color cosmetics	1,191	1,202	1,236	1,276	1,307	1,331
Men's Cosmetic products	763	776	791	805	821	836
Oral hygiene	952	941	935	935	936	940
Fragrances	1,316	1,303	1,303	1,318	1,341	1,362
Skin care	2,089	2,113	2,163	2,205	2,238	2,265
Depilatories	167	191	211	228	241	252
Sun care	166	164	164	162	161	160
Total Cosmetics and toiletries	10,481	10,577	10,766	10,949	11,114	11,258

Source: Euromonitor

Market Access

- End-Users and Distribution Channel

The majority of German men favor drugstores when purchasing personal care products. Drugstores/drugstore chains have proven to be most popular and the easiest point of sales, since they carry many daily products and are located within consumer "walking distance." Consumers aged 30 and over prefer discounters and food/non-food retailers. To a small extent, men aged between 14 and 49 visit perfumeries and specialty cosmetic stores. Men above the 50– the largest group among men's cosmetic consumers – prefer to let their wives/partners purchase their cosmetic products; juveniles let their mothers buy their cosmetic products.



Cosmetics products do not require a CE mark for sale in Europe. There is no requirement for certification or pre-market approval. Instead, there is in-market control by German health authorities.

Each EU member state designated a competent authority, usually a ministry or government agency (a link to a listing of competent authorities is included below). The competent authorities must be notified of the production site or the place of first importation into the EU before the product is placed on the EU market. Manufacturers or their direct importers or agents must perform this notification. In Germany, the responsible authority is the

Bundesamt für Verbraucherschutz und Lebensmittelsicherheit (BVL - Federal Agency for Consumer Protection and Food Safety)

Internet: <http://www.bvl.bund.de>

Basic export procedures for cosmetic products to the EU, and other useful information can be found on the following website:

EU Cosmetics Directive:

<http://pharmacos.eudra.org/F3/cosmetic/cosmetlex.htm>

Germany, as other EU states, has a market-driven economy and American companies will find an open economy and free movement of capital; business profits can be transferred without restriction. Often, foreign products are imported initially on a secured basis. After a period of successful transactions

and a continuing business relationship, it is customary to deal on an open account basis.

In general, a representation or distribution agreement will be governed by an agreement signed between the parties. German civil law and European law specify certain termination and compensation provisions for agency agreements, which will prevail unless otherwise excluded. Moreover, termination of distribution agreements without cause may be subject to certain compensation requirements in the event of a dispute. Professional legal assistance is recommended when entering into representation or distribution agreements.

Additional information on marketing U.S. products and services in Germany is contained in our "Country Commercial Guide," which is available through one of the U.S. Export Assistance Centers and on the web at <http://www.export.gov>.

Trade Promotion Opportunities

FUSE

FUSE – Featuring U.S. Exporters: U.S. manufacturers looking for sales leads or potential sales representatives in Germany can list their products and services on the German-language version of the U.S. Commercial Service website, <http://www.buyusa.gov/germany>, which targets an audience of German importers and commercial buyers.

Commercial News USA

Commercial News USA is the official United States Department of Commerce showcase for American-made products and services. The catalog-style magazine is designed to help American companies promote products and services to buyers in more than 145 countries. Each issue reaches an estimated 400,000 readers worldwide. For more information, please visit: <http://www.thinkglobal.us>.

Major Trade Publications

In Germany, trade publications are important promotion vehicles. Listed below are the leading trade publications for the German cosmetics industry, which are suitable for advertising U.S. men's care products. Detailed information and current advertising rates are available upon request.

KOSMETIK International
published monthly by the KOSMETIK International Verlag
Internet: <http://www.ki-online.de>

Deutsche Drogisten Zeitung (German Drugstore Owners' Newspapers)
published monthly by the ES-Fachschriften Verlag GmbH
Internet: <http://www.deutschedrogistenzeitung.de>

Beauty Forum
published monthly by the Health and Beauty Business Media GmbH
Internet: <http://www.beauty-forum.com>

Major Trade Shows

In Germany trade fairs play a major role in product marketing. U.S. companies wishing to penetrate the German market often make their first approach at major trade fairs. For U.S. manufacturers and exporters wishing to sell in Germany (and in Europe) it is important to exhibit at one of Germany's major international fairs. Exhibiting at fairs can bring direct sales, but, more significantly, it can be one of the least expensive ways to test the market's receptivity for men's cosmetics and related products. Further the strength and scope of the competition can be assessed and contacts with others "in the trade" can be established. From these contacts, U.S. companies can gather a great deal of valuable information about marketing in Germany and Europe.

U.S. companies may want to consider attending one of the following cosmetics shows:

Beauty International – International Trade Fair for Professional Cosmetics
to be held March 17-19, 2006, in Düsseldorf, Germany;

Show Organizer is Messe Düsseldorf GmbH;

Detailed information is available on the internet at:

<http://www.beauty-international.de>

Beautyworld - International Trade Fair for Perfumeries, Cosmetics, and
Hairdressing

to be held January 25-29, 2006 in Frankfurt/Main;

Show Organizer is Messe Frankfurt GmbH;

Detailed information is available on the internet at:

<http://www.messefrankfurt.com>

Bio Fach - the world's leading trade fair for ecological consumer goods such as
health food, natural textiles, cosmetics, furniture and household equipment

to be held February 16-19, 2006 in Nuremberg, Germany;

Show Organizer is the Messe Nürnberg GmbH;

Detailed information is available on the internet at:

<http://www.biofach.de>

Contact information

- Associations and Market Research Institutions

Information concerning applicable laws and regulations can be obtained by
contacting one or more of the following associations and institutions:

Industrieverband Körperpflege und Waschmittel (IKW – German Cosmetics,
Toiletry, Perfumery and Detergent Association)

Internet: <http://www.ikw.org>

Verband Deutscher Drogisten (VDD – Association of German Druggists)

Internet: <http://www.drogistenverband.de>

Verband der Vertriebsfirmen kosmetischer Erzeugnisse (Association Of Companies
Distributing Cosmetic Products)

Internet: <http://www.kosmetikverband.de>

Questions regarding the ingredients used, the formulae and chemical composition
of the cosmetic product, should be addressed to the

Bundesinstitut fuer Risikobewertung (Federal Institute for Risk Assessment)
Internet: <http://www.bfr.bund.de>

For cosmetics sector-related questions and information, please contact:

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